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Nigeria

Exporter Guide

Exporter Guide Annual

2008

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Report Highlights:
Nigeria's total food and agricultural imports continue to climb and in 2007 are valued at approximately $3.7 billion. Wheat is the leading U.S. agricultural export commodity to Nigeria and of approximately $717 million indicated as total official agricultural exports in 2007, wheat accounted for $644 million. However, exports of other U.S. agricultural products are rapidly increasing, including tallow, soybean meal, fish and seafood products, tobacco, and consumer-ready products. Nigeria's recent import and port reforms (including regional tariff changes and export incentives) are encouraging more formal trade. This, along with economic growth and changing consumer demands, are expanding market opportunities for U.S. exporters.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Lagos [NI1]
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TABLE OF CONTENT

SECTION I. MARKET OVERVIEW

Nigeria is the largest market in sub-Saharan Africa with a population of more than 144 million people, and a population growth rate estimated at three percent annually. Petroleum continues to power the country's economy and petroleum exports account for 20% of GDP, 95% of total export earnings and close to 85% of federal government revenue. The inflation rate in 2007 fell to 7.2% (year on year), down from 7.5% a year earlier. Despite economic growth, the domestic manufacturing is actually contracting in Nigeria, with capacity utilization in that sector reportedly dropping from 46.7% in 2006 to 42.4% as of November 2007. This fall is mainly due to the high-cost and unreliability of energy supplies (especially electricity) and weak infrastructure. This is creating an opportunity where there is greater reliance on imports. Policy implementation has been poor due to the wide range of vested political interests in the country. Of particular concern to the U.S. agricultural sector, is the wide range of import bans for many food items.

Nigeria's agriculture sector is primarily subsistence-based, employs about 70 percent of the population and contributes about 40 percent to the GDP. Crop production accounts for about 85 percent of agricultural activities, with livestock and poultry accounting for 10 percent, and fisheries and forestry, 5 percent. Domestic food products such as corn, sorghum, tubers, and seafood (fish) are the traditional foodstuffs consumed by the majority of the population. Despite growth in agriculture the past few years, Nigeria remains a major importer of food and agricultural products, largely bulk commodities such as wheat from the United States, rice and sugar from Asia and Brazil, fruit juice concentrate/pre-mixes and dairy products. The market for frozen fish (especially, mackerel, herring and croaker) is also large and is mostly sourced from the EU, South America, and some African countries. The EU, Asia and South Africa are leading suppliers of processed and intermediate products to Nigeria and Nigeria is expected to continue to import these foods for the foreseeable future due to inadequate local food production. Also, imports of consumer-ready products should continue to grow as inadequate domestic food processing is unable to meet rising demand in Nigeria. The low level of domestic agricultural production and food-processing currently provides consumers with only a limited selection of products. U.S. exporters are advised to explore entering Nigeria's huge and expanding market. U.S. agribusiness firms interested in doing business in Nigeria can seek assistance of USDA/FAS office in Nigeria to develop business relationships with local firms.

Market access improved somewhat in 2005 when the GON began the phased-in adoption of the ECOWAS Common External Tariff (CET) and announced full implementation of the CET, which would remove the remaining import bans by January 2008. However, Nigeria failed to abide to its CET agreement for total liberalization by 1 January, 2008 and import bans on many products remain in place. Some countries in the sub-region have recently signed an interim EU-ECOWAS Economic Partnership Agreement (EPA) with the EU which offers duty-free access for exports of these countries to the EU. Because of its restrictive trade policies, Nigeria is unable to sign this agreement and this is pressuring Nigeria to embrace trade liberalizations.

Advantages & Disadvantages

Advantages	Disadvantages
Very large population (144 million), which is growing at three percent per annum.	Very small presence of U.S. agribusinesses in Nigeria and limited knowledge of the Nigerian market among many in the U.S. trade.
Growing middle-class, rising incomes and a trend toward greater demand for healthy foods.	Nigeria's restrictive trade regime which includes import bans on many food and agricultural products.
Increasing awareness of and rising demand for U.S. processed foods by Nigerian consumers; Also consumers' perception of U.S. foods as higher quality items.	Although rising, consumer purchasing power remains low.
Nigerian consumers' shift towards western food types and consumption patterns. This shift is being driven by changing demographics including greater urbanization, more women working outside the home, and changing lifestyles of the large youth population.	Shorter shelf life labeling of U.S. consumer-oriented foods, longer transit times, and relatively long port clearance procedures all sharply reduce shelf life of U.S. products in Nigeria.
Expanding HRI sector is demanding more intermediate products and ingredients.	Negative perceptions about Nigerian businesses among some U.S. exporters and a reluctance to do business in Nigeria.
Growing western-style retail sector.	Weak infrastructure and increasing energy and production costs.
Adoption of 'Global Listing for Supermarket' items by food regulatory authorities. This offers relatively low-cost and low-risk market-entry for many consumer-ready food products.	Strong competition from other suppliers, especially the EU and Asia.
Nigerian firms generally see U.S. suppliers as reliable in terms of volume, standards and quality.	Often U.S. freight rates are significantly higher than those from the EU and South Africa.
The GON's recent import and port reforms including: destination inspection, minimizing invoice under-valuation and concealments, and port concessions which are reducing port clearance time and invoicing costs.	Inconsistent and poor implementations of GON policies.
A recently inaugurated U.S. to Nigeria direct and regular shipping route by Maersk Lines.	High levels of unofficial transactions and procedures.

SECTION II: EXPORTER BUSINESS TIPS

General and Agricultural Trade Situation

Beginning in 2005, Nigeria commenced the gradual implementation of the more liberalized ECOWAS Common External Tariffs (CET). However, this implementation has been spotty and the GON's earlier commitment to phase out all import bans by January 2008 has not materialized. With some West African countries signing an interim EU-ECOWAS Economic Partnership Agreement (EPA) and already are enjoying duty-free access to the EU, Nigeria is under pressure to sign the EPA.

According to reports, "EPA is a free trade agreement, which seeks drastic reduction and, eventually, total removal of duties on goods imported and exported between the European Union countries and its former colonies in Africa, the Caribbean and the Pacific known as the ACP countries". Countries that subscribed to EPA were expected to have signed the agreement by December 31, 2007. Either the CET or the EPA would require Nigeria to liberalize trade fully. For now, Nigeria continues to implement protectionist agricultural trade policies, especially import bans, in contravention of its WTO commitments. At present, Nigeria has no Free Trade Agreement and bilateral investment treaty with the United States. However, Nigeria signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2004 where outstanding trade policy issues are raised.

Nigeria's total exports of goods and services in 2007 are estimated at $61.81 billion, mainly crude oil and gas, and major export destinations are the United States and China. Total imports in 2007 are estimated at $30.35 billion with the major origins being China, the United States, the EU, and Brazil.

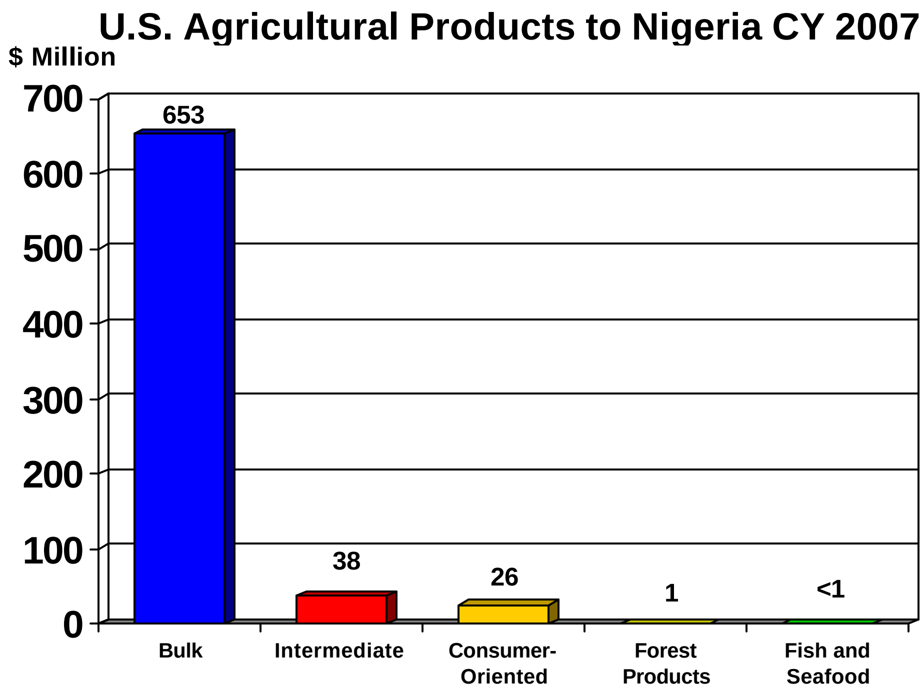
Nigeria is a huge net importer of agricultural products, with imports of approximately $3.7 billion and exports of only a fraction of this amount. Nigeria is predominantly a bulk/intermediate commodity market and major imports are wheat, rice and sugar. The United States is a leading exporter of agricultural products to Nigeria ($717 million in CY 2007 compared to approximately $508 million in CY 2006), primarily wheat and U.S. exports in 2008 are reaching record levels. Exports of U.S. value-added products are rising rapidly despite the import bans on certain products. The major competitors for the Nigerian market are Europe and Asia. Nigeria's traditional trade links with Europe remain strong, and EU agricultural exports to Nigeria, accounts for about 50 percent of the total. Imports from Asia, especially China, have grown markedly in recent years and investment from China in all sectors of the economy has experienced very rapid growth.

Nigeria's agricultural exports to the United States in CY 2007 were about $24.4 million, up from less than $20 million in CY 2006, consisting primarily of rubber and cocoa related products.

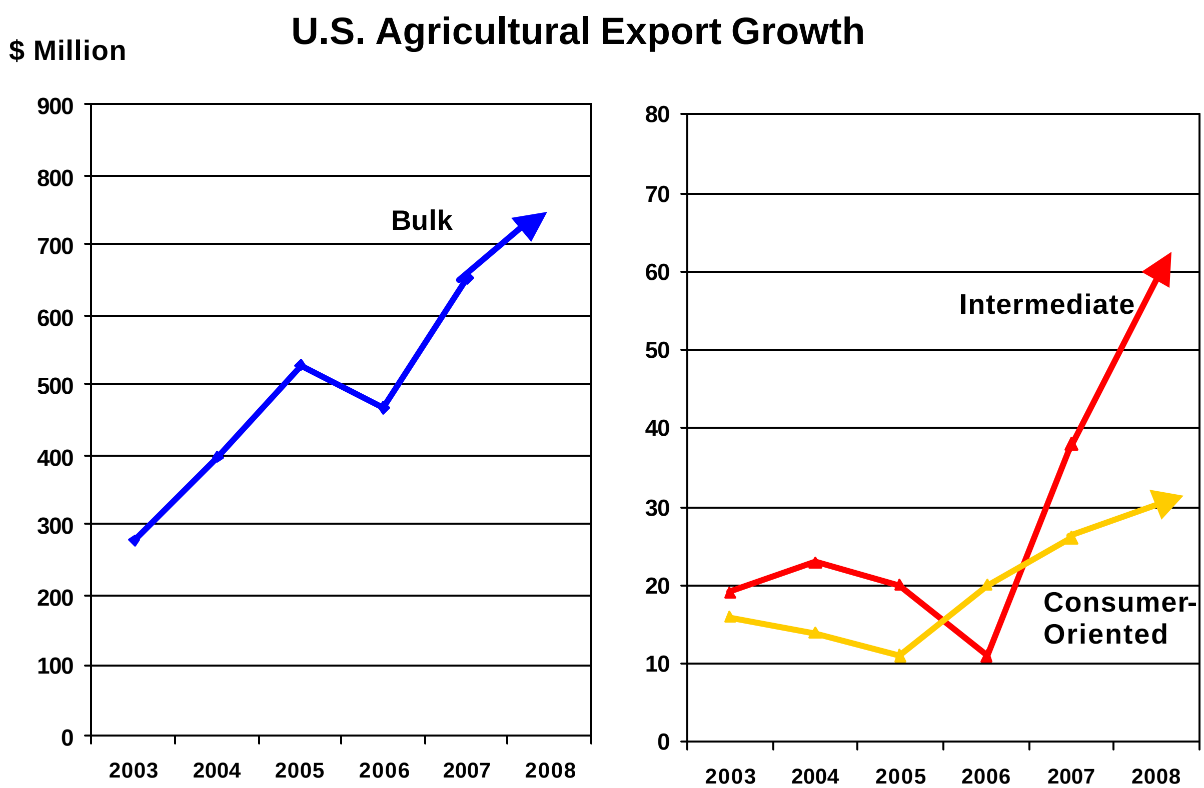
U.S. Agricultural Exports to Nigeria

Total U.S. agricultural exports to Nigeria increased from about $508 million in 2006 to approximated $718 million in 2007. Wheat accounted for approximately 90 percent of this total. U.S. exports for 2008 are on pace to reach record levels.

The chart below shows a breakdown of U.S. food and agricultural product exports to Nigeria in 2007:



Source: FAS BICO



Source: FAS BICO Report

Buyers' Preferences for Agricultural Products

Importers prefer consumer-oriented products with the following characteristics:

- Relatively small-sized, prepared and packaged for affordable one-time use.
- Bulk, intermediate products and ingredients for local re-processing and packaging.
- Mixed-grocery containers.
- Perishable food products processed dry and packaged for a long shelf life without the need for refrigeration (for example dry seafood; dairy products such as milk powder; instant beverage drinks, etc).
- Packaged food products with longer "Best Before" dates.

Visit http://www.fas.usda.gov/gainfiles/200611/146249621.pdf, for details.

Product Registration and Regulations:

All processed foods must be registered with Nigeria's food regulatory agency--National Agency for Food & Drug Administration and Control (NAFDAC)--to be legally imported into Nigeria. The cost of product registration is typically borne by the importer except when an exporter agrees to assist the importer in paying these costs. It is advised that U.S. exporters contact the FAS/Lagos office in Nigeria when importers make similar requests from them. Visit: http://www.fas.usda.gov/gainfiles/200807/146295278.doc, for details.

Import Duties & Collections:

The Nigerian Customs Service (NCS) is the GON agent responsible for import duty collection. Ports clearance has been slow in Nigeria but the GON has set September 31, 2008 for NCS to achieve a 48-hour cargo delivery in compliance with the directive of the International Maritime Organization (IMO). As a result, NCS has reportedly acquired the necessary facilities to kick-start the upgraded Automated System for Custom Data (ASYCCUDA++), a paperless Direct Trader Input (DTI) for online submission and processing of custom documents and duty payments. This is expected to facilitate customs clearance at ports, and address unofficial practices resulting mostly from increased contact between GON officials and freight agents/importers during customs clearing.

Nigeria commenced a partial implementation the ECOWAS CET in November 2005 which harmonized its tariffs with those of other ECOWAS member states and reduced the tariff bands from twenty to five. Despite these steps, GON's protectionist policies persist, including numerous import bans. GON had stated, however, that all these bans would be phased out by January 2008 in compliance with its CET commitments, however the bans remain in place.

Port Concessions & Destination Inspections:

As of April 2006, in order to increase efficiency the GON adopted port concession, which transferred ports' operation to private sector operators. However, importers are reporting that the change has only added minimal improvements in cargo handling and port clearance. Reportedly, Nigeria's new authorities also think operators' selection did not follow due process and may consider reviewing the policy. Uncertainties about this possible review are causing operators to pursue more investment recovery activities than improve port infrastructure to meet desired efficiency level.

As of January 2006, GON also replaced Pre-shipment Inspection (PSI) with Destination Inspection (DI). This means that all goods destined for Nigeria's ports are now inspected at the point of entry rather than the point of shipment. NCS remains responsible for duty valuation, classification, collection and release of consignments. The GON-appointed private firms function as Destination Inspection service providers and provide x-ray cargo scanning services at entry ports. They also review importers' documents and issue a Risk Assessment Report (RAR) to guide NCS on the risk, classification and value for customs purposes.

Documentations, Export & Customs Clearing:

Procedural Steps:

Opening letters of credit in Nigeria now takes between 2-3 days for the importer (buyer) to accomplish and follows these steps:

A. Importers process Form 'M' with his/her pro-Forma invoice through any local Authorized Dealer Bank (ADB) irrespective of the value and whether or not payment is involved. Form M' is a quadruplicate document completed to apply or seek authorization to import from the relevant GON agent [Central Bank of Nigeria (CBN)]. The Form 'M' shall be valid for importation only after acceptance by the relevant scanning company and Risk Management Service Provider. Supporting documents shall be clearly marked 'VALID For Foreign Exchange (FOREX) or NOT VALID FOR FOREX' as appropriate i.e. depending on whether or not foreign exchange remittance would be involved. The Form 'M' and relevant pro-forma invoice shall carry a proper description of the goods to be imported to facilitate price verification. The description will include:
   i) Generic product name, i.e. product type, category
   ii) Mark or brand name of the product where applicable
   iii) Model name and or model or reference number where applicable
   iv) Description of the quality, grade, specification, capacity, size performance, etc
   v) Quantity and packaging and/or packing
   vi) Documents in respect of each import transaction shall carry the name of the product, country of origin, specifications, date of manufacture, batch or lot number, standards to which the goods have been produced (e.g. Nigeria Standards-NIS, British Standards PD, ISO, IES, DIN, (etc). Documents includes the following:
      - Final Invoice and Combined Certificate of Value and Origin (CCVO) duly attested
      - Packing List
      - Bill of Lading/Airway Bill as applicable
      - Carrier Certificate
      - Insurance Certificates
      - Manufacturer's Certificate of production
      - Laboratory test certificates of chemicals, foods, beverages, pharmaceuticals, electrical appliances and other regulated products where applicable.
   vii) Where import items such as food, drinks, cosmetics, drugs, medical devices, chemicals, etc. are regulated for health or environmental reasons, they shall carry EXPIRY dates or the shelf life and specify the active ingredients, where applicable.

B. ADB makes necessary endorsements on the Form 'M', retains the original copy and forwards the other three copies to the relevant Destination Inspection Agent (DIA) for scanning and risk assessment.
C. DIA receives Form 'M' and pro forma invoice and carry out preliminary review on the application using provided information.

D. DIA accepts the Form 'M' and generates a Risk Assessment Report (RAR) within five (5) working days of the receipt of the import documents.
E. DIA retains a copy of the Form 'M' and sends the remaining two copies to NCS. At this point, the Form 'M' becomes a valid document and the importer can request the exporter to ship the goods.
F. CBN accepts importer's application (Form 'M') and Letter of Credit is opened.
G. Exporter prepares and submits, 1) Final Export Invoices 2) Packing List, and 3) Certificate of Value and Origin (prepared for the U.S. firm by a Notary Public) for attestation. Exporter also negotiates Letter of Credit and ships.
H. Exporter's documents above are transmitted to the importer's ADB which the ADB in turn sends to GON's inspection and evaluation agents (GIA) to evaluate items and determine import duty payable.
I. GIA prepares Risk Assessment Report (RAR) stating import duty payable. RAR is a document used by NCS to take decisions with respect to the duty payable on imports. Import payable depends on outcome of product valuation after physical examination. NCS returns RAR to the importer through his ADB. This process now takes about two weeks to accomplish.
J. Importer pays the reported import duty if the assessed value is not more than 10 percent of value declared on the invoice. Otherwise, the importer would be required to re-process the Form "M". The importer will begin Customs Clearing with the import and duty documents.
K. The consignee (importer) can clear with NCS or appoint a Customs Clearing agent. This stage can take one to two weeks to process and then the consignment can be delivered to the importer's warehouse.

Some Nigerian importers still make payments for their imports through Inter-bank wire transfers. The exporter then ships the items to the importer upon receipt of these bank transfer payments.

Redesigned Export Expansion Grant Fund (REEGF):

In 2002, the GON introduced the Export Expansion Grant (EEG) in order to encourage local processing and manufacturing firms to create more jobs. This program offered a 40 percent rebate to companies exporting fully manufactured and semi-processed products with high local value addition, and 5 percent for products that do not fall into the first category.

Inherent loopholes in determining which products qualified for which rates resulted in gross abuse of the program and caused the GON to scrap it during the 1st quarter of 2005. However, organized local manufacturers and processors [under Nigeria's Manufacturers Association of Nigeria (MAN)] pressured GON to re-introduce the Redesigned Export Expansion Grant Fund (REEGF) in November 2005, which became effective in January 2006.

REEGF is company-based rather than product-based grant and provides rebates ranging from 5-30 percent. Eligibility and rates are weighted by how much of a firm's activities contribute to creating local jobs. For example, cocoa grinding falls within the 30-percent maximum while export merchandising of cocoa beans only qualifies for a 5-percent rebate.

SECTION III: MARKET SECTOR STRUCTURE AND TRENDS

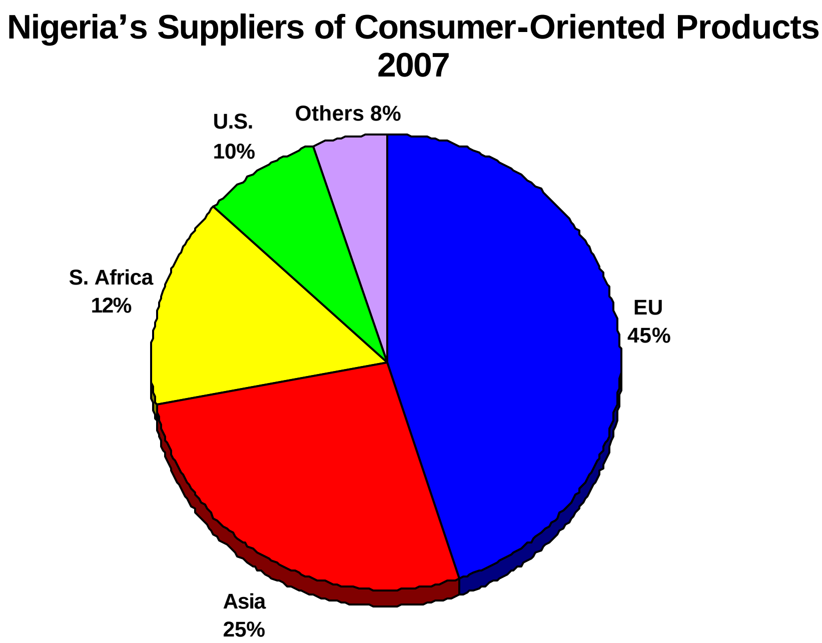
Retail Food Sector:

Nigeria's retail food sector is dominated by traditional open-air markets (accounting for 74 percent of total retail food sales in 2007), then convenience stores/small groceries (25 percent), and finally supermarkets (1 percent).

The distribution players for merchandising imported consumer-oriented foods in Nigeria are: 1) Importer-distributors 2) Wholesalers 3) Retailers.

In 2007, consumer-oriented food imports are estimated at $550 million and industry sources forecast imports to increase to $600 million by the end of 2008. The partial adoption of the more liberalized ECOWAS CET is encouraging imports, despite GON's import bans placed on some food products. Applied duties under the CET range from five to 20 percent. Some importers, however, circumvent restriction by shipping banned and higher-duty goods to ports in neighboring countries from where they enter the market by road through cross-border smuggling.

Industry estimates of the origin of imported processed food products in 2007 are shown below:



U.S. market share is low mostly due to:

- Higher freight rates for shipments from the United States.
- Unfavorable perception of Nigerian firms by some in U.S. trade.
- Some U.S. exporters' reluctance to meet Nigerian importer demands, especially on documentation and product specifications.
- Lack of sufficient contacts between Nigerian importers and U.S. consumer-oriented food exporters.

Industry sources indicated more than $50 million worth of U.S. consumer-oriented foods was exported to Nigeria in 2007, however, about half of the products reportedly enter the market through cross border smuggling or other informal means.

According to USDA's BICO report, the value of U.S. consumer oriented food exports to Nigeria increased 30 percent in 2007 from about $20 million in 2006 to approximately $26 million in 2007. For 2008, these products have increased another 22 percent year to date. Dairy products, breakfast cereals, processed fruits, and mixed grocery items make up most of these imports. U.S. food product exports are projected to continue to increase following the recent commencement of a direct shipping route from the United States to Nigeria. This will reduce ordering and shipping time. GON's import and port reforms are also assisting in minimizing informal imports and documentations, which were major advantages for third-country suppliers. Most Nigerian importers of mixed container loads require the services of freight consolidators. Visit http://www.fas.usda.gov/gainfiles/200611/146249621.pdf for details.

Food Processing (FP):

About 65 percent of Nigeria's manufacturing sector is food processing, and according to the Economist Intelligence Country Report, May 2007, manufacturing had an estimated 3.8 percent share of Nigeria's GDP ($116.6 billion) in 2006.

Nigeria is dominated by mass market consumers with low purchasing power, and a diet high in carbohydrates. In order to boost sales and increase market share, manufacturers focus on packaging and selling products in affordable small units for one-time use. However, an expanding middle-class and rising incomes are prompting increased demand for low-carb, low-fat, and even sugar-free food and beverages. Also growing concerns regarding food safety and dietary quality are also increasing demand for higher quality products. As a result, local processors are developing and improving products in order to meet the needs of this niche market.

The combination of import restrictive measures (implemented by GON to protect domestic industries, primarily food processors) as well as the initiation of REEGF (export rebate) had helped domestic food processing to grow at an average of 10 percent per annum during past years. However, key sector players including the Manufacturers Association of Nigeria, report more recently, Nigeria's food processing sector has been declining due mainly to poor infrastructure (especially power), multiple taxation and GON's inconsistent policies—allegedly, often initiated on political basis. Reportedly, manufacturing sector's average capacity utilization generally dropped from 46.7 percent at the beginning of 2007 to about 42.4 percent as at the end of the year. For the food processing sector, average capacity utilization reportedly dropped from 65 percent in 2006, to 56 percent in 2007.

Nigerian food processors report that the sector will become extinct if the country is pressured to sign and/or fully implement such regional trade agreements as the ECOWAS CET and EPA. They argue that Nigeria does not have the comparative advantage and the necessary infrastructure that abound in other regions which makes local food processing a high-cost activity. According to the estimation of key government agencies, the IMF and the World Bank, Nigeria's infrastructural gap will need over $510 billion to bridge investment for the next 15 years (Source: Nigeria's AFBTE Annual Report, 2007).

Table below shows the capacity utilization trends in Nigeria's food processing sector, 2003 to 2007:

	CAPACITY UTILIZATION (%)				
Sub-sector	**2003**	**2004**	**2005**	**2006**	**2007**
Beer	54	60	57	50	58
Soft Drinks	56	55	48	59	56
Flour Mills	62	44	50	49	64
Tobacco	-	65	34	45	50
Vegetable Oil	45	55	55	65	53
Beverage	53	55	64	90	44
Dairy	67	80	78	65	75
Spirit/Distillers	-	40	64	-	66
Biscuits/Confectionery	55	59	69	75	55
Flour Based	-	-	-	-	44
Others	-	-	-	-	56
Average Capacity Utilization (%)	**59**	**54**	**56**	**64**	**56**

Source: AFBTE Annual report, 2007

The current GON reform programs, especially the new CET structure and REEGF, are expected to increase market access for imported food ingredients. At the moment, more than $2.4 billion worth of inputs used in Nigeria's food processing industry are imported (Industry estimate).

Potential for increased export sales is present for the following inputs:

Bulk	Intermediate	Processed
Barley and Malt Edible and inedible Fat Raw Sugar Refined Sugar Wheat Paddy Rice	Corn Starch Ethanol Fruit Juice Concentrate Fruit pre-mixes & syrup Ice Cream Pre-mixes Other Beverage Bases Dairy Products Flavors, Sweeteners Industrial Salt, other micro-nutrients, other ingredients for food and feedstuff processing, edible tallow, etc.	Baking mixes, Yeast & Baking Powder Jam & Jellies Mayonnaise Salad Dressing Sauces, Spices Tomato Ketchup Seasonings, etc

Third-country suppliers from the EU, Far-East Asia, South America as well as South Africa show increased interest in the Nigerian food ingredients/intermediate products market and are quick to adapt to the requirements of this growing sector. Nigerian food processors perceive U.S. ingredient suppliers as reliable in terms of volume, standards, and quality but U.S. exporters are constrained by:

- Limited knowledge of the Nigerian ingredient market among the U.S. trade.
- Strong competition from South Africa, the EU and Asian suppliers.
- Limited local infrastructure, limited operational capital, high local production costs, and unstable GON import policies.
- A lack of knowledge of food ingredients available from the United States by Nigerian importers.
- Limited contact with and negative perceptions of Nigerian businesses among some U.S. exporters.

Food Service (HRI) Sector:

Nigeria's food service sector; consisting of hotels, restaurants and institutional contracts (HRI) was valued at US$3 billion in 2007. The largest and fastest growing segment is the quick service restaurants (QSR).

Growth in the HRI sector is driven by modest economic growth, urbanization, more women working outside the home and changing demographics in favor of the youths who have a preference for western style convenience foods. The sector is expected to continue to grow as convenience QSRs become more and more important in the Nigerian way of life. In the same vein, import demand for food ingredients by the operators is trending upwards.

U.S. products with best market prospects include potato chips, sauces, seasonings, pastry mixes, seafood, canned food, wine and ice cream. Except for wines and poultry meat, the import duties on these products range from five percent to 20 percent. Major food service operators are looking for franchises to represent major U.S. companies in Nigeria, especially in the quick restaurant sector.

Seafood / Frozen Fish:

	2006	2007	2008 (Estimated)
Total Market Size	1430	1660	1700
Total Local Production	430	500	400
Total Exports	--	N/A	N/A
Total Imports	1000	1160	1300
Imports from the U.S.	8.0	0.001	5.0

Note: Figures in millions of dollars; Estimates from industry contacts; Exchange rate: 120 naira to 1 USD

Nigeria imports the majority of seafood, and imports are projected to increase to 1.3 million tons in 2008, up from approximately one million tons in 2007. Export sales of U.S. seafood (especially frozen mackerel, herring and croaker) to Nigeria significantly dropped in 2007 and the scarcity and high price of Atlantic species resulted in a noticeable shift in the Nigerian market towards more imports from South America, especially Chile. High energy cost translating to higher U.S. freight charges as well as the hitherto one-way seafood trade contributed to this. In 2007, however, the U.S. recertified Nigeria for shrimp exports to the United States. Reefer containers returning to Nigeria only for shrimp can be available for shipping seafood and other perishable foods from the U.S. at reduced freight costs. This is expected to promote a two-way trade between the countries in seafood and other perishable food products. See, http://intranetapps/GainFiles/200710/146292622.pdf for details.

Aquaculture:

Growth in Nigerian aquaculture is driven by GON efforts to promote local production and has been the most prevalent in shrimp. Nigeria's shrimp export (about 80 percent of shrimp caught in Nigeria's waters) is valued at about $65 million per annum (Nigeria's Federal Fisheries Department Report, 2007). The country's shrimp regained access to U.S. market after complying with Turtle Excluder Devices (TED) regulations on January 10, 2007. Imports of shrimp from Nigeria to the United States jumped from only $3,000 in 2006 to more than $1.03 million in 2007 (USDA's BICO Report). Huge export market for Nigeria's shrimp has caused increased investments in local shrimp production activities.

Nigeria is a potential market for approximately 2.5 million MT of fish. Of the country's fish 1.5 million MT fish demand in 2005, aquaculture (especially, catfish farming) contributed only 16,000 MT. Following GON collaboration with local and external stakeholders (including local farmers, World Bank, WHO, FAO, NEPAD, etc), local production stepped up. Reportedly, catfish production increased to 80,000 tons and 110,000 tons in 2006 and 2007, respectively. This has also created about 25,000 jobs.

However, growth in the sector is being threatened by increasing costs of aquaculture feedstuffs which now constitute more than 70 percent of total cost of production. This opens export market for U.S. shrimp/aquaculture feedstuffs, feed ingredients and technology.

Dairy Sector

Nigeria is a potential market for 1.3 million tons of milk valued about $3 billion (Industry source). Of Nigeria's estimated 1.3 billion liters of total domestic fluid milk production in

2006, only a very small amount enters formal marketing channels. Dairy imports are large and were valued at more than $300 million in 2007. Nigeria's dairy processors (including ice cream, chocolate milk, yoghurt, and long-life milk producers) rely on combining and reconstituting milk powder imported mostly from the European Union (Netherlands, Denmark). Processed infant formula, cheese, butter, as well as high-end ice cream, are also imported. U.S. dairy products exports to Nigeria grew from $1million in 2005, to $6million in 2006 and $8million in 2007. U.S. market share (though growing), remains small despite the higher quality perception of U.S. processed dairy products among Nigerian consumers. Freight costs from the U.S. are well above those from the European Union.

	2006	2007	2008 (estimated)
Total Market Size	276.3	301.5	362.5
Total Local Production	1.3	1.5	2.5
Total Exports	0	0	0
Total Imports	275	300	360
Imports from the U.S.	6.2	8.5	12.0

Note: Figures in millions of dollars and only include formally marketed products and estimates from industry contacts. Exchange rate: 120 naira to 1 USD

Growing population, increasing urbanization, and rising per capita income are expected to stimulate rising demand for dairy based products. Meanwhile, domestic production remains insufficient due to increasing production/processing costs, non-competitiveness of the industry, and the failure to incorporate more advanced technologies. More efficient dairy processing in the United States should provide U.S. suppliers an advantage over third-country suppliers in exporting processed dairy products to this market. Additionally, there is export potential for livestock genetics, fodders and dairy-based food processing inputs which will likely increase if local infrastructure is improved and production/processing costs lowered. See http://www.fas.usda.gov/gainfiles/200709/146292296.pdf for details.

SECTION IV: MARKET ENTRY STRATEGIES

New-to-market U.S. food and agricultural products exporters should consider the following market entry strategies and tactics:

- Select a local distributor/agent or representative in Nigeria to register the products with the appropriate GON regulatory bodies, to introduce these products to the local market and develop consumer demand. For assistance contact the Office of Agricultural Affairs, U.S. Consulate General, Lagos-Nigeria.
- Identify and sell through consolidators based in the U.S. who are already serving the West African region.
- Exhibit at trade shows in the United States, which are attended by Nigerian importers. This will make follow-up contacts easier.
- Offer product shipment in mixed-lot containers, and offer flexible shipping volumes.
- Adopt a pricing strategy, which encourages importers to initiate buying activities with U.S. suppliers.
- Send sample products and sales catalogs to Post to facilitate locating local buyers.

SECTION V: BEST PROSPECTS

Consumer-oriented products which are allowed for export to Nigeria:

- Breakfast Cereals
- Wine, including sparkling wine

- Alcoholic beverages & Spirit & Liqueurs (excluding beer)
- Canned vegetables
- Nuts, Milk, Cream (powdered), Honey products
- Spices, Sauces including, Soy Sauce, Mixed Seasoning
- Coffee, Tea & Herbal products
- Yeast & Baking Powder
- Tomato Ketchup, Mayonnaise & Salad Dressing
- Canned Soups
- Baby Foods & Health Food products
- Sweeteners & Non-Dairy Coffee Whiteners
- Powdered beverages
- Packaged rice
- Chocolate, etc

Product type offering the most sales potential in Nigeria:

- Agricultural-based food ingredients
- Frozen seafood
- Fast food, other HRI food ingredients and dairy products including, ice cream and yoghurt
- Industrial processed foods & beverages especially, fruit juice concentrate, and bulk products for local re-processing and packaging
- Bakery, confectionery, and food preparation ingredients
- Specialized food ingredients such as additives, preservatives, and flavorings
- Ingredients and additives for feedstuffs
- Processed fruits and vegetables
- Relatively small-sized imported or domestic-processed HVPs, prepared and packed for one-time use, etc
- Nutrition/health food products

Products Currently Banned for Exports to Nigeria:

1. Wheat flour - HS Code 1101,0000
2. Sorghum - HS Code 1007,0000
3. Vegetable oil - HS Codes 1507.1100-1516,2000
4. Frozen poultry and poultry products - HS Codes 0207.0000-0207.3600
5. Cassava and cassava products – HS Codes 0714.1000, 1106.2000, 1108, 1400 and 1903.0000.
6. Toothpicks
7. Bottled water (sparkling and non-sparkling)– HS Codes 2201.0000-2202.0000
8. Biscuits - HS Code 1905.3000
9. Noodles (including spaghetti) - HS Codes 1902.1100 – 1902.4000
10. Fruit juice in retail packs - HS Codes 2009.1100 – 2009.9000
    Note: fruit juice may be imported in concentrates or drums only.
11. Sugar confectioneries (sweets and chocolate) - HS Codes 1704.1000 – 1704.9000 and 1806.1000 – 1806.9000
12. Beer (bottled and canned) - HS Code 2203
13. Millet – HS Code 1007.0000
14. Pork and pork products, beef and beef products, mutton, lamb, and goat meat - HS Codes 0210.1900, 1602.4900, 0202.2000, 1602.5000, 0204.4200, 0204.4300, 1602.9000, 0204.1000, 0204.2200, 0304.3000, 0204.4200, 0204,4300, 0210.7900, 0204,5000, 0208.9000, 0210.9900 and 1602.9000
15. Live or dead birds - HS Codes 0106.3100-0106.9000, 0208.9000 and 0210.9900
16. Fresh fruit - HS Codes 0801.1100 – 0814.000

SECTION VI: POST CONTACT AND FURTHER INFORMATION

Agricultural Affairs Office
American Consulate
2, Walter Carrington Crescent
Victoria Island, Lagos-Nigeria
Telephone: (234) 1 261-3926, 775-0830
Fax: (234) 1 262-9835
e-mail: aglagos@usda.gov

National Agency for Food & Drug Administration & Control (NAFDAC)
Plot 204, Olusegun Obasanjo Way
Wuse Zone 7
Abuja-Nigeria
Telephone: (234) 9 234-6383, 234-6405-6
Fax: (234) 9 269-5163, 234-8382
E-mail: nafdac.lagos@alpha.linkserve.com
Website: www.NAFDAC.org

Nigeria Customs Service
Customs Headquarters
3-7, Abidjan Street
off Sultan Abubakar Way, Wuse Zone 3
Garki-Abuja, Nigeria
Tel: (234) 9 523-6394, 253-4680
Fax: (234) 9 523-6394, 523-4690

Federal Ministry of Agriculture & Water Resources
Federal Secretariat, FCDA
PMB 135, Area 11
Garki-Abuja, FCT
Nigeria
Tel: (234) 9-314-1931, 314-2405
Fax: (234) 9-314-2532

Appendix I

Appendix I: Nigeria's Economic Structure (Annual Indicators)

	2003*	2004**	2005**	2006**	2007
GDP (US$ bn)	58.4	74.0	95.3	116.6	142.4
Real GDP growth (%)	10.2	6.1***	4.8	5.6**	5.0^
Consumer price inflation (av; %)	14.1	15.0	17.9	7.5	9.1^
Population (m)	133.2**	136.5	139.8	144.0	146.2*
Exports of goods fob (US $ m)	27,250	37,326	51,897	58,872	61,810^
Imports of goods fob (US$ m)	-17,193	-19,133	-25,995	-27,402	-38,350^
Current account balance (US$ m)	-1,569	3,606	7,112	15,810	3,538^
Foreign exchange reserves excluding gold (US$ m)	7,128	16,956	28,280	42,277	59,700^
Total external debt (US$ bn)	35.0	37.9	22.2	6.5	8^
Debt-service ratio, paid (%)	5.5	4.2	16.1	1.8	3.4
Exchange rate (av.) N: US$	129.22	132.89	131.20	127.38	125.00

Notes: *Actual. ** Economic Intelligence Unit estimates. *** Official Estimates. 'N', represents Naira (Nigeria's currency). ^ Industry estimates.

Source: Economist Intelligence Unit, Country Report (Nigeria)—Nov. 2007.

Appendix II: REFERENCE MATERIALS

1. The GON has finally released the Nigeria Customs and Excise Tariff Book for 2005- 2006. For further information regarding specific tariff lines, contact FAS/Lagos at:

Agricultural Affairs Office, U.S. Consulate General
#2, Walter Carrington Crescent, Victoria Island, Lagos, Nigeria
Tel: 234-1-261-3926 Fax: 234-1- 2629835 E-mail: aglagos@usda.gov

2. The Central Bank of Nigeria (CBN) circular (TED/AD/150/2005) dated December 28, 2005 stated that "in pursuance of the GON's decision to abolish pre-shipment inspection scheme and the introduction of Destination Inspection Scheme for imports to Nigeria with effect from January 1, 2006, the Government had entered into agreements with three scanning companies that will act as service providers for the effective take-off and operation of the scheme". The details of each service provider together with the designated zones are outlined below:

COTECNA INSPECTION LIMITED
10, Engineering Close
Off Idowu Taylor Street
Victoria Island, Lagos-Nigeria
Tel: 234-1-4617121/3
Fax: 234-1-4617124
E-mail: info@cotecna.com
Contact: Contract Manager
ZONE: Apapa and Tin Can Seaports, Kano and Abuja Airports, Jibiya and Banki Posts.

SOCIETY GENERALE DU SURVEILLANCE (SGS)
Plot 999C, Danmole Street
Intercontinental Plaza, 4th Floor
Victoria Island, Lagos-Nigeria
Tel: 234-1-2623042
Fax: 234-1-2622976
E-mail: Philip-bank@sgs.com
Contact: Contract Manager
ZONE: Onne and Port-Harcourt Seaports: Port-Harcourt Airport and Idiroko border post.

GLOBALSCAN SYSTEM LIMITED
5B, Oko-Awo Close
Off Adetokumbo Ademola Street
Victoria Island, Lagos-Nigeria
Tel: 234-1-2625392
Fax: 234-1-2624542
E-mail: globalscansystem@yahoo.com
Contact: Managing Director
ZONE: Warri and Calabar Seaports; Ikeja Airport and Seme Border Post

3. The circular further stated, "Under the new arrangement, Form 'M' submission and processing shall be based on the Port of Destination as outline above. For avoidance of doubt, importation shall remain restricted to on the ports listed above".